



STATE OF CALIFORNIA

EDMUND G. BROWN JR., Governor

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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March 27, 2018

Agenda ID # 16389
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 13-12-012,
INVESTIGATION 14-06-016 :

This is the proposed decision of Administrative Law Judge Allen. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's April 26, 2018 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Upon the request of any Commissioner, a Ratesetting Deliberative Meeting (RDM) may be held. If that occurs, the Commission will prepare and publish an agenda for the RDM 10 days beforehand. When the RDM is held, there is a related ex parte communications prohibition period. (See Rule 8.3(c)(4).)

Pursuant to Rule 14.6(c)(2), comments on the proposed decision must be filed within 10 days of its mailing and reply comments must be filed within 5 days of its mailing.

/s/ ANNE E. SIMON

Anne E. Simon

Acting Chief Administrative Law Judge

AES:ek4

Decision **PROPOSED DECISION OF ALJ PETTER ALLEN** (Mailed 3/27/2018)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2015 - 2017 (U39G).

Application 13-12-012

And Related Matter.

Investigation 14-06-016

**DECISION GRANTING PETITION FOR MODIFICATION
OF PACIFIC GAS AND ELECTRIC COMPANY****Summary**

This decision grants Pacific Gas and Electric Company's Petition for Modification of Decision 16-06-056. These proceedings are closed.

Background

In Decision (D.) 16-06-056, the Commission ordered Pacific Gas and Electric Company (PG&E) to install 83 new Cathodic Protection (CP) systems in 2018. (D.16-06-056 at 475, Ordering Paragraph 2.) PG&E subsequently filed a Petition for Modification (Petition) of D.16-06-056, requesting to be relieved of the requirement to install 83 new CP systems, and asking that the decision's language be modified to order PG&E to: "Continue its program of installing new CP systems." (Petition at 5.)

The new CP systems to be installed were related to implementation of a program applying a new 850mV “off” criterion, which is intended to enhance CP protection on PG&E’s Gas Transmission and Storage (GT&S) system.¹ But PG&E also found 745 “low reads” on its system, which indicate substandard cathodic protection at the tested locations. Because PG&E lacked sufficient corrosion engineering resources to both identify new CP sites for the 850 mV “off” program and to investigate and mitigate the 745 low reads, PG&E prioritized addressing the 745 low reads and suspended the 850 mV “off” program. (Petition at 3-4.)

In 2012, PG&E realized that for certain workstreams that identified low reads, PG&E did not have a corresponding process to promptly remediate those low reads, as required by the Code of Federal Regulations. PG&E subsequently performed a “deep dive” into its own records, and in February 2014 reported to the Commission that it had identified an additional 490 low reads that had not been promptly remediated. (McQuilling Declaration at 2.) In 2015, PG&E finalized its 2016 workplan, which “...anticipated performing the shareholder funded work to remediate the backlog low reads identified in 2012 and 2014.” (*Id.* at 3.)

In 2015 and 2016, PG&E did a second “deep dive” into its data sources, and identified an additional 745 low read locations. PG&E determined that it did not have the resources to both remediate the 745 low reads and implement the 850 mV “off” program, and that for safety reasons addressing the low reads should be a higher priority than implementing the 850 mV “off” program. (*Id.* at

¹ *Declaration of David McQuilling in Respose to Administrative Law Judge’s Ruling Requesting Additional Information* (McQuilling Declaration) at 2.

3-4.) Accordingly, in June 2017, PG&E filed the present petition for modification, asking to be relieved of the order in D.16-06-056 that it install 83 new CP systems in 2018.

The Commission's Office of Ratepayer Advocates (ORA) filed a response to PG&E's Petition. ORA did not oppose PG&E's Petition, but asked that if the Commission approve the Petition, that the Commission should require PG&E to provide additional information, specifically:

- PG&E should report by year how many CP systems were installed;
- PG&E should report its forecast for 2018 installations and actuals as soon as the information is available;
- PG&E should report its forecast and actual costs for CP installations;
- Any unused funds (if not reallocated to other safety issues) should be returned to ratepayers;
- In PG&E's upcoming Risk Assessment Mitigation Report (RAMP) proceeding and 2019 Gas Transmission and Storage (GT&S) filings, PG&E should describe and quantify the change in risk associated with any change in pace of CP installations. This includes, but is not limited to, describing the impacts of "investigating and mitigating the low reads" rather than identifying "new CP groundbed sites for the mV 'off' program";
- PG&E should be required to explain why it lacked sufficient resources to carry out both the "low read" and identification of groundbed sites programs; and,
- PG&E should be required to explain how and why in "2016 PG&E corrosion engineering became aware of approximately 745 CP 'low reads'." (ORA Response at 1-2.)

No other responses or protests to PG&E's Petition were filed.

Discussion

PG&E's request to prioritize remediation of the 745 low reads appears to be reasonable. PG&E's Petition is granted. Because PG&E has indicated that it will be able to install some new CP systems in 2018, D.16-06-056, Ordering Paragraph 2, is modified to remove the number "83," so that portion of the Ordering Paragraph will now read: "Install new CP systems."

While we appreciate PG&E's focus on prioritizing work based on safety, and its corresponding allocation of resources, we are concerned about the scope and longevity of the low read problem, which was discovered in 2012. In addition to being a significant problem on its own, it is also problematic that addressing it has caused a delay in the implementation of the 850 mV "off" program, which is also intended to enhance safety. We expect PG&E to promptly remediate all of the low reads on its system, and to resume the 850 mV "off" program as soon as possible.

All reporting requirements (including those requested by ORA) and ratemaking issues relating to the issues identified in the Petition may be addressed in the current PG&E GT&S proceeding, Application (A.) 17-11-009, and the current PG&E RAMP proceeding, Investigation (I.) 17-11-003, as directed by the assigned ALJ and Commissioner for those proceedings. PG&E provided significant amounts of information in this proceeding in response to an ALJ ruling;² that information may be incorporated into the record of the PG&E GT&S and RAMP proceedings at the discretion of the assigned ALJ and Commissioner for those proceedings.

² *Pacific Gas and Electric Company's Response to Administrative Law Judge's Ruling Requesting Additional Information*, filed August 23, 2017.

Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Allen in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by _____, and reply comments were filed by _____ on _____.

Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and Peter V. Allen is the assigned ALJ in this proceeding.

Findings of Fact

1. Commission Decision 16-06-056 ordered PG&E to install 83 new cathodic protection systems in 2018.
2. PG&E determined that addressing 745 cathodic protection "low reads" was a higher priority than installing 83 new cathodic protection systems, and that it did not have the resources to do both in 2018.
3. PG&E is unable to install 83 new cathodic protection systems in 2018.

Conclusions of Law

1. PG&E's Petition for Modification should be granted.

O R D E R

IT IS ORDERED that:

1. The part of Ordering Paragraph 2 in Decision 16-06-056, which reads:
"In particular, PG&E shall perform the following in 2018:
[...] - Install 83 new CP systems; and [...]" is modified to read:
"In particular, PG&E shall perform the following in 2018:
[...] - Install new CP systems; and [...]"

2. These proceedings are closed.

This order is effective today.

Dated _____, at San Francisco, California.